

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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USIA-15 EB-11 TRSE-00 OMB-01 SCEM-02 INT-08 AID-20

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R 211030Z DEC 73

FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 2227

USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

LIMITED OFFICIAL USE SECTION 1 OF 2 ZAGREB 0890

E.O. 11652: N/A

TAGS: ENRG, ETRD, PINS, YO

SUBJECT: CROATIAN ENERGY CRISIS: INDUSTRIAL CONSEQUENCES

REF: ZAGREB 0873

SUMMARY: CROATIAN PARTY SPOKESMAN STATES ELECTRICAL ENERGY SHORTAGE LIKELY REFLECT "VERY UNFAVORABLY" IN REALIZATION REPUBLIC'S ECONOMIC PLAN; FERROUS AND NON-FERROUS METALS PROCESSING INDUSTRIES, PLASTICS AND PHARMACEUTICAL INDUSTRY AMONG THOSE ESPECIALLY HARD HIT. POWER IMPORTS FROM N5-6, HUNGARY AND OTHER YUGOSLAV REPUBLICS UP BUT, ACCORDING SENIOR OFFICIALS, POWER SHORTFALL WILL REMAIN SERIOUS AND PERSIST UNTIL SPRING RAINS BEGIN IN DALMATIA. ACCORDING PRESS, GENERAL POWER CUTS MAY BE REPLACED SHORTLY BY "SUPERVISED SELF-DISCIPLINE." TO REDUCE DANGER RECURRING CRISES DURING PERIOD 1974-77, SENIOR ECONOMIC OFFICIAL HAS ENDORSED PROSPECTS US GAS TURBINE SALES (REFTEL, TELLING US "YOUR COMPANIES MIGHT DO VERY WELL TO HAVE SOME OFFERS READY IN JANUARY." FOR LONGER TERM, PLAN FOR

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HYDROELECTRIC DEVELOPMENT AND FLOOD CONTROL LOWER DRAVA RIVER

HAS RECEIVED IMPETUS IN FORM PROPOSED \$280 MILLION JOINT YUGO-SLAV-HUNGARIAN PROJECT. THERE IS ALSO DISCUSSION ABOUT EXPANDED POWER IMPORTS FROM HUNGARY WHICH, HOWEVER, MIGHT REQUIRE COMPENSATING DELIVERIES TO HUNGARY FROM SOVIET UNION. END SUMMARY

1. MIRKO BASIC, VICE PRESIDENT OF CROATIAN CHAMBER OF ECONOMY AND MEMBER RECENTLY-CONSTITUTED REPUBLICAN TASK FORCE TO ADMINISTER ELECTRICAL ENERGY REDUCTION PROGRAM, HAS TOLD US THAT COMPREHENSIVE ESTIMATES OF PRODUCTION LOSSES STEMMING FROM CURRENT CRISIS NOT YET MADE, BUT HE FEARS THOSE COULD BE "LARGE." ACCORDING TO PRESS, PETAR FLEKOVIC, LEAGUE OF COMMUNISTS OF CROATIA'S (LCC) PRINCIPAL SPOKESMAN ON ECONOMIC MATTERS, REPORTED TO MEETING OF EXECUTIVE COMMITTEE OF LCC DEC 18 THAT "THE POWER SHORTAGE IS REFLECTING ITSELF VERY UNFAVORABLY ON THE ECONOMIC PLAN."

2. PRESS REPORTS INDICATE PRINCIPAL INDUSTRIAL SUFFERERS HAVE BEEN HEAVY-USER FIRMS SUCH AS BORIS KIDRIC LIGHT METALS FACTORY IN SIBENIK (ALUMINUM) WHERE ONLY 48 OF 208 FURNACES OPERATING, AND SISAK IRON WORKS, WHOSE PIPE PRODUCTION REPORTEDLY DOWN 50 PER CENT. SMALLER METALS PROCESSORS ALSO SAID TO BE TAKING HEAVY LOSSES. JUGOVINIL, MAJOR DALMATIAN PVC PRODUCER, ALSO SUFFERING SEVERE PRODUCTION CUTBACKS. OTHERWISE, MAJOR ZAGREB PHARMACEUTICAL HOUSE, PLIVA, STATED POWER CUTOFFS SEVERELY INHIBITED ITS ABILITY BREED ANTIBIOTIC CULTURES WITH CONSEQUENT DANGER SHORTAGE MEDICINES ON YUGOSLAV MARKET.

3. POWER CUTOFFS, WHICH HAVE BEEN EFFECTING NEARLY ALL CONSUMERS FOUR TO SIX HOURS DAILY, REPORTEDLY SCHEDULED TO END "NEXT FEW DAYS." EVIDENTLY PREPARING FOR THE LONG HAUL, CITY LEADERSHIP HOPES THAT "SUPERVISED SELF-DISCIPLINE" WILL BE ABLE TO MAINTAIN NECESSARY RATE OF SAVINGS. ARMED WITH SPECIAL POWERS TO FINE OR CUT OFF INDIVIDUAL CONSUMERS, POWER COMPANY (ELEKTRA) WITH PUBLIC SUPPORT OF MUNICIPAL AUTHORITIES, SUCH AS POLICE, AND SOCIAL-POLITICAL ORGANIZATIONS SUCH AS PARTY, WILL ACTIVELY SUPERVISE INDIVIDUAL CONSUMPTION. SPECIAL PHONE LINE ESTABLISHED ENABLE PRIVATE CITIZENS TO REPORT VIOLATIONS. FIRMS ENCOURAGED TO START WORKING DAY LATER, STREET LIGHTING TO REMAIN SEVERELY RESTRICTED, TV PROGRAMS REDUCED, USE ELECTRICAL APPLIANCES FOR HEATING LIMITED OFFICIAL USE

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FORBIDDEN, AND UNIVERSITY VACATIONS MAY BE EXTENDED FOR ENTIRE MONTH OF JANUARY. THOSE POSSESSING AUXILIARY POWER UNITS ENCOURAGED TO USE THEM IN PLACE OF MUNICIPAL POWER. AUTHORITIES CAUTION, HOWEVER, THAT SHOULD THESE SUPERVISED VOLUNTARY MEASURES NOT SUCCEED, POWER CUTS WILL BE REIMPOSED.

4. SENIOR OFFICIALS, INCLUDING VICE PRESIDENT BAKRAC OF CROATIA'S PARLIAMENT AND ZAGREB MAYOR VRHOVEC, HAVE TOLD US

THAT REPUBLIC'S OWN POWER AVAILABILITIES NOT LIKELY INCREASE BEFORE SPRING RAINS. WHILE CROATIA'S DEFICIT SITUATION TO A CERTAIN EXTENT "PLANNED"-- ON ASSUMPTION THAT OTHER REPUBLICS WOULD PROVIDE SUPPLEMENTARY POWER--BELIEF GETTING STRONGER THAT ADDITIONAL INVESTMENT STEPS NEEDED TO INCREASE REPUBLIC'S OWN CAPACITIES. THUS, WE HAVE NOTED MORE INSTANCES OF INTEREST IN POSSIBLE ACQUISITION OF ADDITIONAL GAS TURBINES (SEE REFTEL). BASIC TOLD US DEC 19 "YOUR COMPANIES MIGHT DO VERY WELL TO HAVE SOME OFFERS READY IN JANUARY."

5. ARTICLES IN PRESS INDICATE THAT CRISIS HAS UPPED PRIORITIES

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INFO AMEMBASSY BELGRADE

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LIMITED OFFICIAL USE SECTION 2 OF 2 ZAGREB 0890/2

E.O. 11652: N/A

TAGS: ENRG, ERTD, PINS, YO

SUBJECT: CROATIAN ENERGY CRISIS: INDUSTRIAL CONSEQUENCES

FOR POWER INVESTMENTS. FOR EXAMPLE, PLAN REPORTEDLY BEING PUSHED TO ORGANIZE JOINT PROJECT WITH HUNGARIANS FOR FLOOD CONTROL AND HYDROELECTRICAL DEVELOPMENT OF LOWER DRAVA

RIVER--REPORTED COST 4.35 BILLION ND (CIRCA \$280 MILLION).
THIS WOULD INVOLVE SOME SIX HYDROELECTRIC PLANTS. PROJECT
WOULD ALSO INCLUDE BYPASS CANALS TO ENABLE RIVER NAVIGATION.
FLOOD CONTROL IMPORTANT ELEMENT SINCE THIS RIVER FLOODS
FREQUENTLY, MOST RECENTLY CAUSING MAJOR DAMAGE IN 1972.

6. THOUGH HAMPERED BY LACK OF ADEQUATE TRANSMISSION FACILITIES,
CROATIA REPORTEDLY WILL BE RECEIVING INCREASED DELIVERIES OF
TWO MILLION KWH FROM OTHER REPUBLICS, SOME POWER FROM ITALIANS
(CIRCA 250,000 KWH DAILY), AND, ACCORDING BASIC, NEARLY ONE
MILLION KWH DAILY FROM HUNGARIANS TO HELP EASE ITS DAILY SHORT-
FALL OF APPROXIMATELY NINE MILLION KWH. (PUBLIC ANNOUNCEMENT
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ON TV HAS IT THAT HUNGARIANS DELIVERING 500,000 KWH.) BASIC,
WHILE UNCLEAR AS TO TRANSMISSION CAPABILITIES, BELIEVED THAT
DELIVERIES FROM HUNGARY MIGHT BE FURTHER INCREASED. HOWEVER,
HE ADDED, THIS WOULD REQUIRE COMPENSATORY DELIVERIES TO HUNGARY
BY SOVIETS. THIS CONNECTION, ZAGREB PRESS AND TV HAVE CARRIED
"TANJUG" REPORT THAT SOVIETS, DURING CURRENT MOSCOW DISCUSSIONS
BETWEEN YUGOSLAV VICE PREMIER SIROTKOVIC AND SOVIET DEPUTY
PRESIDENT NOVIKOV, HAVE INDICATED READINESS TO RESPOND "POSITIVELY."
WILSON

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